

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF

SELMA MIDDLE SCHOOL  
EXTRA-CURRICULAR ACCOUNT  
LIBERTY-PERRY COMMUNITY  
SCHOOL CORPORATION  
DELAWARE COUNTY, INDIANA

JUNE 1, 2004 TO MAY 31, 2006



**FILED**

01/31/2007

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## SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Extra-Curricular Treasurer	Judith L. Straub	06-01-04 to 03-06-06
	Vacant	03-07-06 to 04-05-06
	Teresa Bergan	04-06-06 to 05-31-07
Principal	Alice A. Mehaffey	07-01-03 to 06-30-07
Superintendent	James L. Craig	07-01-03 to 06-30-07
President of the School Board	Robert N. Grove	07-01-03 to 06-30-04
	Gene Ferris	07-01-04 to 06-30-06
	Kevin Nemyer	07-01-06 to 06-30-07



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION:

We have examined the records of the Selma Middle School Extra-Curricular Account for the period from June 1, 2004 to May 31, 2006 and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments.

STATE BOARD OF ACCOUNTS

November 27, 2006

SELMA MIDDLE SCHOOL  
EXTRA-CURRICULAR ACCOUNT  
LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION  
DELAWARE COUNTY  
EXAMINATION RESULTS AND COMMENTS

MALFEASANCE

Judith L. Straub, former Extra-Curricular Treasurer, withdrew investment accounts for personal use, failed to deposit all collections received and paid for personal items through the disbursement process.

1. A money market account in the name of Selma Middle School in the amount of \$10,062.08 was closed out on March 10, 2005. The proceeds were then deposited into the personal bank account of Judith L. Straub, former Extra-Curricular Treasurer, on March 10, 2005. Copies of her bank account statement obtained by subpoena confirmed this.
2. Textbook rental receipts totaled \$20,659.30 for fiscal year 2003-2004. Deposits for textbook rental for that same period totaled \$20,117.88. Textbook rental receipts totaled \$16,597.77 for fiscal year 2004-2005. Deposits for textbook rental for that same period totaled \$13,651.92. Deposits were short of collections by \$541.42 and \$2,945.85 for fiscal years 2003-2004 and 2004-2005, respectively.
3. Delinquent textbook rental collections were received by the School Administration Office from Atlas Collections. The Administration Office then distributed the collections to Selma Middle School. Collections received by Selma Middle School that were not posted to the records nor deposited to the bank totaled \$663.50.
4. Candy sales reports from the vendor and reports compiled by the former Extra-Curricular Treasurer were compared to ledger postings to the Candy Sale Fund and deposits to the bank. These reports were more than the ledger postings and deposits to the bank in the amounts of \$697.99 and \$1,931.32 for fiscal years 2004-2005 and 2005-2006, respectively.
5. Athletic ticket sales SA-4 forms were compared to ledger postings to the Athletic Fund and deposits to the bank. Two SA-4 forms totaling \$155 were not posted nor deposited for fiscal year 2002-2003. Three SA-4 forms totaling \$666 were not posted nor deposited for fiscal year 2003-2004. Five SA-4 forms totaling \$1,323.40 were not posted nor deposited for fiscal year 2005-2006.

Additionally, there were four athletic events in which no SA-4 form was available for review. There were no ledger postings or deposits corresponding to these events. Concessions were sold at three of these athletic events. There were no postings to the ledger or deposits made to the bank. We were unable to determine a dollar amount for the athletic collections or concessions sold.

6. Vending commission checks were received by the Administration office from Pepsi. Checks were then written by the School Corporation Treasurer to Selma Middle School for their portion of the vending commission revenue. The Administration office also reimbursed the Middle School for purchases made that were curricular in nature. The former Extra-Curricular Treasurer used some of the checks received from the Corporation to replace money diverted for personal use. The checks were placed in deposits and cash was removed from the deposit. A total of \$8,912.17 in cash was diverted using this method of substitution.
7. Collections for athletics and book fair totaling \$629 were posted to the records in December 2004; however, the collections were never deposited.

SELMA MIDDLE SCHOOL  
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EXAMINATION RESULTS AND COMMENTS  
(Continued)

8. Undocumented disbursements were made during the examination period. Invoices totaling \$1,111.75 were shown as reimbursements for supplies. An invoice totaling \$1,786.98 was for a computer purchase from Best Buy. The computer in question is not in the possession of the Middle School. Invoices totaling \$1,940.42 were paid to Target National Bank and Verizon Wireless. The \$1,525 payment to Target National Bank was to pay for the former Extra-Curricular Treasurer's Target Visa bill. A copy of the Verizon bill obtained by subpoena confirmed. The \$415.42 payment to Verizon Wireless was an electronic transfer payment for the former Extra-Curricular Treasurer's cellular phone bill.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Judith L. Straub, former Extra-Curricular Treasurer was requested to repay all of the above listed items. (See Summary, page 10)

PERSONAL CHECK SUBSTITUTED FOR COLLECTIONS

Receipts 968, 969 and 972 were written on March 11, 2005, for a total of \$8,000. Receipts indicate cash totaling \$3,733.69 and checks totaling \$4,266.31. Source documents for these receipts indicate collections were received as far back as December 2004. The sources and amounts noted per the receipts were as follows:

Fund	Source	Amount
Grants and Science	Candy Bar Sales	\$ 380.60
Athletic	Athletic Events	1,992.00
Pencil and Paper	From Machines	390.00
Interest		1,000.00
Teachers		750.00
Student Coke		550.00
General		500.00
Candy Sale		1,266.31
Totem Pole	Yearbooks Ordered	463.00
Bookstore	Book Rent Paid	308.09
Student Council	Dance	400.00
Total		<u>\$ 8,000.00</u>

On March 11, 2005, a deposit for \$8,000 was made in the form of a personal check from Judith L. Straub. The above listed items are not included in the Summary. (See Summary, page 10)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

SELMA MIDDLE SCHOOL  
EXTRA-CURRICULAR ACCOUNT  
LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION  
DELAWARE COUNTY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not performed by the former Extra-Curricular Treasurer. Disbursements for reconciling services were paid to an outside vendor in the amount of \$1,022.22. (See Summary, page 10)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

RECEIPT ISSUANCE

The approved receipt was not issued when monies were collected. This receipt was completed when the deposit was made and often times included receipts collected from various sources.

At the time of collection, a report was completed detailing checks and cash received. The report also noted teacher, source, fund and date. The report was not prenumbered and was not given to individuals who submitted monies. It can not be determined if all of these reports were on hand for review.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ECA DEPOSITS

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods of three months before depositing.

Indiana Code 20-5-7-4 states in part: ". . . receipts shall be deposited without unreasonable delay."

UNDEPOSITED CASH RECEIPTS

Cash receipts were not always deposited in the same form as the collections. Cash receipts were withheld from deposits and used for undocumented small purchases.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

INTERNAL CONTROLS

The controls over the receipting of athletic event admissions and concessions were insufficient. Collections and perforated tickets sold were remitted to the Extra-Curricular Treasurer. The Extra-Curricular Treasurer would count the money, complete the ticket sale report (Form SA-4) and deposit the money. Concession collections could not be verified. The Athletic Director did not receive receipts for the remittance, copies of ticket sales reports or Athletic fund activity.

SELMA MIDDLE SCHOOL  
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EXAMINATION RESULTS AND COMMENTS  
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The School Corporation, the high school and one elementary school remitted cash rather than a check to the Extra-Curricular Treasurer for posting and depositing.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$306.44 were paid to various vendors during the examination period. Of the total, \$270 was due to bank charges assessed for nonsufficient funds in the checking account.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

USE OF FORM SA-7, CLAIM FOR PAYMENT

Claim forms do not contain all information necessary to constitute a valid claim. Proper itemization and signatures for approval and receipt of goods and services were not evident on several claims reviewed.



SELMA MIDDLE SCHOOL  
EXTRA-CURRICULAR ACCOUNT  
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EXAMINATION RESULTS AND COMMENTS  
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Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FUND SOURCES AND USES

Funds were disbursed from the Athletic Fund for food for a staff Christmas party and teacher appreciation lunches.

Funds were disbursed from the General Fund for donuts for the staff and teacher appreciation lunches.

Funds were disbursed from the Candy Fund for cell phone accessories for the High School and Middle School Principals and Christmas presents for the staff.

Funds were disbursed from the Student Council Fund for Christmas decorations.

Several disbursements for office supplies were paid from the following funds: Coke, Candy, General, Fees, Pencil and Paper, Totem Pole.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the Student Coke Fund, the Interest Fund and the Grants and Science Club Fund were overdrawn in fiscal year 2004-2005 in the amounts of \$1,584, \$1,123, and \$72 respectively.

The cash balance of the Interest Fund was overdrawn in fiscal year 2005-2006 in the amount of \$4,317.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EXAMINATION COSTS - MISSING FUNDS

The State of Indiana incurred additional examination fees in the investigation of the missing funds. The State of Indiana is requesting reimbursement of examination fees incurred in the amount of \$5,230.52. (See Summary, page 10)

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SELMA MIDDLE SCHOOL  
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DELAWARE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2006, with James L. Craig, Superintendent; and Kevin Nemyer, President of the School Board. The officials concurred with our examination findings.

The contents of this report were discussed on November 27, 2006, with Alice A. Mehaffey, Principal; and Teresa Bergan, Extra-Curricular Treasurer. The officials concurred with our examination findings.

The contents of this report were discussed on November 27, 2006, with Judith L. Straub, former Extra-Curricular Treasurer.

SELMA MIDDLE SCHOOL  
EXTRA-CURRICULAR ACCOUNT  
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DELAWARE COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Judith L. Straub, former Extra-Curricular Treasurer:			
Malfeasance, pages 4-5:			
Withdrawal of Investment into Personal Account	\$ 10,062.08	\$	\$
Textbook Rental Receipts Not Deposited	3,487.27		
Delinquent Textbook Rental Collections Not Deposited	663.50		
Candy Sale Receipts Not Deposited	2,629.31		
Athletic Ticket Collections Not Deposited	2,144.40		
Corporation Checks Not Properly Receipted	8,912.17		
Deposit in Transit Not Deposited	629.00		
Disbursements Not Supported	1,111.75		
Disbursements For Personal Use	1,940.42		
Penalties, Interest and Other Charges Paid	306.44		
Best Buy Purchase	1,786.98		
Bank Account Reconciliations, page 6	1,022.22		
Examination Costs - Missing Funds, page 8	5,230.52		
Reimbursement of Best Buy Purchase		<u>1,773.98</u>	<u>38,152.08</u>
Totals	<u>\$ 39,926.06</u>	<u>\$ 1,773.98</u>	<u>\$ 38,152.08</u>

AFFIDAVIT

STATE OF INDIANA )  
 )  
DELAWARE COUNTY)

I, Stephanie Heath, being duly sworn on my oath, state that the foregoing report based on the official records of the Selma Middle School, Delaware County, Indiana, for the period from June 1, 2004 to May 31, 2006, is true and correct to the best of my knowledge and belief.

Stephanie Heath  
Field Examiner

Subscribed and sworn to before me this 22<sup>nd</sup> day of January, 2007.

Lorri A. Allen  
Notary Public

My Commission Expires: 9-8-2009

County of Residence: Delaware